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October 4, 2010

TO: Supervisor Gloria Molina, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **COMMUNITY ENHANCEMENT SERVICES CONTRACT REVIEW – A  
DEPARTMENT OF PUBLIC SOCIAL SERVICES REFUGEE  
EMPLOYMENT PROGRAM PROVIDER**

We completed a program, fiscal and administrative contract review of Community Enhancement Services (CES or Agency), a Department of Public Social Services (DPSS) Refugee Employment Program (REP) provider. REP Program services include performing skills and needs assessments, facilitating job placement and retention services, and referring participants to additional available resources. The purpose of our review was to determine whether CES appropriately accounted for and spent REP funds. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with the contract and applicable guidelines.

DPSS compensates CES at a fixed monthly fee for each participant and paid the Agency approximately \$192,000 during Fiscal Year (FY) 2008-09. CES provided services to residents in the Third and Fifth Supervisorial Districts during FY 2008-09.

**Results of Review**

The program participants met the eligibility requirements for the REP Program and CES maintained adequate internal controls. However, CES did not always comply with the other contract requirements. Specifically, CES did not:

- Appropriately document the referral to supportive services for one (5%) of 20 participants reviewed.

*CES response – CES indicated they will document referrals and obtain an affidavit from participants who refuse to be referred to supportive services.*

- Use supported or allowable methods to allocate \$6,330 (63%) of the \$10,005 non-payroll costs reviewed for the REP Program.

*CES response – CES indicated they are now using an allowable allocation method and will reallocate shared non-payroll costs previously billed to the Program.*

- Provide employee criminal background clearances for four (80%) of the five staff reviewed. Subsequent to our review, CES provided the missing background clearances.

*CES response – CES indicated they will maintain background clearances in personnel files.*

Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with CES and DPSS on August 23, 2010. In their attached response, CES indicated agreement with our findings and recommendations. DPSS indicated that they will work with CES to ensure that the recommendations are implemented.

We thank CES management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:AA

### **Attachment**

- c: William T Fujioka, Chief Executive Officer  
Philip L. Browning, Director, Department of Public Social Services  
Dr. Irving Lebovics, Board Chairman, CES  
Zigmund Vays, Chief Executive Officer, CES  
Public Information Office  
Audit Committee

**REFUGEE EMPLOYMENT PROGRAM  
COMMUNITY ENHANCEMENT SERVICES  
FISCAL YEAR 2008-09**

**BACKGROUND/PURPOSE**

The Department of Public Social Services (DPSS) contracts with Community Enhancement Services (CES or Agency), a private non-profit organization, to provide services to refugees who have resided in the United States for less than five years. The contract services include performing skills and needs assessments, facilitating job placement and retention services, and referring participants to additional available resources.

The purpose of our review was to determine whether CES complied with the contract terms and appropriately accounted for and spent Refugee Employment Program (REP) funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff.

**ELIGIBILITY**

**Objective**

Determine whether CES provided services to individuals that met the eligibility requirements for REP services.

**Verification**

We reviewed the case files for 20 (4%) of the 513 program participants that received services during May and June 2009.

**Results**

All 20 program participants met the eligibility requirements for REP services.

**Recommendation**

**None.**

**PROGRAM SERVICES****Objective**

Determine whether CES provided the services in accordance with the County contract and REP guidelines. In addition, determine whether the program participants received the billed services.

**Verification**

We reviewed the case file documentation for 20 participants that received services during May and June 2009.

**Results**

CES generally provided the program services in accordance with the County contract. However, the Agency did not document that they referred one (5%) of 20 participants reviewed to supportive services although the participant's assessment indicated a need for mental health services. CES management indicated that the participant refused their referral to mental health services but the Agency did not maintain adequate documentation.

**Recommendation**

1. CES management ensure they refer REP participants to supportive services when needed and document any refusals.

**STAFFING QUALIFICATIONS****Objective**

Determine whether CES' staff possessed the qualifications required by the County contract.

**Verification**

We reviewed the personnel files for five CES employees.

**Results**

CES' staff possessed the qualifications required by the County contract.

**Recommendation**

None.

**PERFORMANCE OUTCOMES****Objective**

Determine whether CES met the planned performance outcomes as outlined in the County contract and reports the performance outcomes to the Department of Public Social Services (DPSS). The performance outcomes included increasing employment and work participation rates and reducing sanction rates.

We did not perform test work in this section because accurate performance outcome data for CES was not available. DPSS indicated that their REP Program performance database was not capturing all of the REP Program participants. DPSS plans to review the Agency's performance outcomes when DPSS updates their system in December 2010.

**Recommendation**

None.

**CASH/REVENUE****Objective**

Determine whether cash receipts and revenue were properly recorded in CES' financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash.

**Verification**

We interviewed CES personnel and reviewed financial records including the Agency's bank reconciliations for June 2009.

**Results**

CES maintained adequate controls to ensure that revenue was properly recorded and deposited timely.

**Recommendation**

None.

**UNSPENT REVENUE****Objective**

Determine whether CES' payments from April 2008 to June 2009 reconciled to the Agency's accounting records.

**Verification**

We traced CES' payments from April 2008 to June 2009 to their accounting records.

**Results**

CES' payments reconciled to their financial accounting records. In addition, CES did not have any unspent revenue from April 2008 to June 2009. Specifically, the Agency's \$265,000 in expenditures exceeded their \$247,000 in revenue from DPSS by \$18,000.

**Recommendation**

None.

**EXPENDITURES/PROCUREMENT****Objective**

Determine whether program related expenditures were allowable under the County contract and properly documented.

**Verification**

We interviewed CES personnel and reviewed financial records and other documentation for 19 non-payroll expenditures totaling \$10,005 that the Agency charged from August 2008 through May 2009.

**Results**

CES did not ensure that the shared program costs charged to the REP Program were allowable and properly documented. Specifically, for \$6,330 (63%) of the \$10,005 non-payroll costs reviewed, CES used unsupported or unallowable methods (i.e., estimated salaries and program revenue) to allocate rent and other shared costs to the Program.

The percentage of improperly allocated shared costs is significant. To ensure costs are appropriately charged to the REP Program, CES needs to review and reallocate all shared non-payroll program costs charged to the Program during the contract term, provide DPSS with supporting documentation, and repay any overbilled amounts.

**Recommendations****CES management:**

2. Review and reallocate all shared non-payroll program costs charged to the REP Program during the contract term, provide DPSS with supporting documentation, and repay any overbilled amounts.
3. Ensure that shared program expenditures are allocated in compliance with the County contract.

**ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE****Objective**

Determine whether CES maintained sufficient internal controls over its business operations and if the Agency is in compliance with other program and administrative requirements.

**Verification**

We interviewed CES personnel, reviewed their policies and procedures manuals and conducted on-site visits.

**Results**

CES maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

**Recommendation**

None.

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether CES' fixed assets and equipment purchased with REP funds were used for the REP Program and were safeguarded.

We did not perform test work in this section, as CES did not use REP funds to purchase fixed assets or equipment.

**Recommendation**

None.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll expenditures were appropriately charged to the REP Program. In addition, determine whether CES obtained background clearances and verified employment eligibility for the employees assigned to the REP Program.

**Verification**

We traced the payroll expenditures for three employees totaling \$5,289 for June 2009 to the Agency's payroll records and time reports. We also interviewed staff and reviewed five personnel files for staff assigned to the REP Program.

**Results**

CES properly charged payroll expenditures to the REP Program. However, the Agency did not provide employee background clearances for four (80%) of the five staff reviewed. Subsequent to our review, CES provided clearances for the four employees.

**Recommendation**

4. CES management maintain background clearances in REP Program employees' personnel files.

**COST ALLOCATION PLAN****Objective**

Determine whether CES' Cost Allocation Plan was prepared in compliance with the County contract and used to appropriately allocate shared program costs.

**Verification**

We reviewed the Cost Allocation Plan and a sample of expenditures CES incurred during FY 2008-09.

**Results**

The Cost Allocation Plan was prepared in compliance with the County contract. However, CES did not allocate shared program costs in compliance with the County contract as discussed above.

**Recommendation**

Refer to Recommendation 3.





**COMMUNITY  
ENHANCEMENT  
SERVICES**

August 31, 2010

**Zigmund Vays**  
President/CEO  
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Chief Financial Officer  
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**Home Energy  
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**Energy Crisis  
Intervention Program**  
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**Southern California  
Gas Company  
Direct Assistance Program**  
(818) 895-8529

**Edison's Energy  
Management Assistance  
Program (EMA)**  
(818) 895-8529

**California Lifeline  
Telephone Program**  
(818) 894-8121

**Food Stamp  
Application Services**  
(818) 894-8121

**Naturalization Assistance**  
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**Refugee Employment  
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**CES COLLEGE**  
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Wendy Watanabe, Auditor-Controller  
Department of Auditor-Controller  
Countywide Contract Monitoring Division  
350 South Figueroa Street, 8<sup>th</sup> Floor  
Los Angeles, CA 90071

Dear Ms. Watanabe:

**Contract Review Response**

Community Enhancement Services (CES) management has reviewed the report issued by your Department and are in general agreement with the results and recommendations. The following are CES' response to the recommendations contained in the report:

**Result #1:** CES did not refer one (5%) of 20 participants reviewed to supportive services

**Management Response:**

CES will document referrals and obtain written affidavit from participants who refuse to be referred to supportive services. This affidavit will be maintained in the individual participant file.

**Result #2:** CES did not use supported or allowable methods to allocate \$6,330 (63%) of the \$10,005 non-payroll costs reviewed to the REP program.

**Management Response:**

CES used estimated salaries based on projected number of regular working hours for the month. Then based on the ratio of estimated individual program salaries for the month to the estimated total salaries of the agency for the month, a percentage (%) for each program is derived.

However, effective January 2010, CES uses actual salaries based on actual hours charged to individual program. Then based on the ratio of actual individual program salaries for the month to the actual total salaries of the agency for the month, a percentage (%) for each program is derived. This % is then used to allocate shared

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costs. This ensures that shared program expenditures are allocated in compliance with the County contract.

CES will also review and reallocate all shared non-payroll program costs billed during the contract term and provide DPSS with supporting documentation.

In addition, CES will ensure all costs are consistently supported with proper documentation.

**Result #3:** CES did not obtain criminal background clearances for four (80%) of the five staff reviewed.

Management Response:

Currently, CES' Human Resource Manager conducts the criminal background screenings which are maintained in the individual personnel files of REP staff members and can be accessed only by the Human Resource Manager.

We hope that you will find these responses satisfactory. They were also discussed at the exit conference which was conducted on August 23, 2010.

Should you have any additional questions, please contact me at (818) 894-8121.

Sincerely,



Zigmund Vays  
President